

SECRET

25X1

The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC 01922-87
30 April 1987

MEMORANDUM FOR: Acting Director of Central Intelligence

VIA: National Intelligence Officer for Warning

FROM: [REDACTED] Assistant National Intelligence Officer for NESA

SUBJECT: Warning and Forecast Report for Near East and South Asia

25X1

The April NESA Warning Meeting addressed two topics.

1. Egypt: The Economy and Internal Stability. The Community agrees that the odds are less than even that Egypt will experience an economic crisis in the next six months--unless it falls out of compliance with the IMF standby agreement or fails to implement the first series of economic reforms.

CIA led the discussion, offering the judgment that Egypt's financial outlook for the next six months or so is basically stable. The CIA analyst noted, however, that this judgment is based on three preconditions:

- The IMF standby agreement goes into effect and Cairo complies with it. CIA believes the real crunch for the standby program will come with the first review (September or later) when Cairo will have to introduce the second series of economic reforms to stay in compliance. Even so, CIA believes Egypt will comply because it wants to maintain prospects for additional aid from the US and the Gulf.
- Oil prices remain stable at current levels. Oil exports are an important, direct source of revenue for the government; because of an archaic pricing mechanism, Cairo loses market shares when the price fluctuates.
- Additional cash assistance continues to dribble in from the Gulf or elsewhere. CIA believes this is the condition that is most likely to be met; as long as Egypt can persuade the Gulf states that it is their interest that Mubarak stay in power, Cairo will get enough money to stave off real trouble.

25X1

SECRET

25X1

SECRET

25X1

CIA opined that the Soviet-Egyptian agreement on Cairo's military debt has more symbolic than practical value; Egypt had long suspended service on that debt, so the agreement does not represent debt relief. On the issue of FMS debt relief, Mubarak is optimistic. If his expectations of a resolution are not deflated, he will be let down hard and is likely to respond with more footdragging on NPW transits, another postponement of his US visit, and continued entreaties for debt relief.

There was general agreement that as long as the economy holds up and Mubarak avoids antagonizing them, the Muslim Brotherhood/Islamic fundamentalists do not pose a serious near-term threat. CIA said that increased Muslim Brotherhood representation in parliament--it now has about 30 seats--could pose problems for Mubarak; the reappointment of the hostile Speaker does not bode well for government-opposition relations. INR suggested that drawing the Brotherhood into the mainstream of political life, thus tying up its energies in legislative matters, was the aim of Mubarak's strategy. CIA and DIA agreed; CIA noted that the Brotherhood is only one element of a three-party alliance, and any effort to form a united opposition with the Wafd could cause the opposition to burn itself out.

CIA cautioned, however, that the Brotherhood could be expected to push hard for formal recognition as a political party. Mubarak's refusal to legalize the Brotherhood--after a drawn-out application process--could be a watershed for the Brotherhood. DIA voiced its concern that cooperation with the government may strengthen the hand of the Islamic radicals; the Brotherhood can use its influence over violent radical groups as a lever to encourage the government to permit continued participation or to make concessions.

Warning Notes

The Community should be alert to the impact of inflation--already up to 30 percent annually--upon popular support for the Mubarak government. Only the very lowest socioeconomic classes, who benefit most from government subsidies, will be relatively immune from the effects of inflation. The impact on attitudes of public sector employees, whose relations with the government already are bad, could be an important indicator of opposition to Mubarak.

25X1

SECRET [?]

25X1

SECRET, [REDACTED]

25X1

[REDACTED] 25X1

2. Pakistan: Response to Soviet Pressure. The recent sharp rise in Soviet military pressure along the Pakistani border may not signal the beginning of the diplomatic endgame, but it does suggest the Soviets have decided they can no longer live with the status quo in Afghanistan. CIA began by noting that since the end of 1986 there has been a decline in Soviet-Afghan efforts to suborn border tribesmen but subversive activities, air violations, and crossborder attacks have risen dramatically. The 1987 count of Pakistani and Afghan refugee casualties is already higher than the 1986 total. The slow Pakistani response is attributable to several factors: Islamabad's attention was diverted by tensions on the Indo-Pakistani border; communications and radar had to be reoriented; Islamabad experimented with various combat air patrols; and the Stinger and RB70 surface-to-air missiles had to be returned to the Afghan border.

The popular perception that the Soviets are behind recent bombings in Lahore and Rawalpindi are making the Pakistani leadership much more jittery. Although the public reaction has been one of stiffened resolve, [REDACTED] the debate on how much longer Pakistan can carry on has intensified. Pakistan is not ready to cave in on the negotiations, but they believe there is a lot of flexibility in the Soviet position. The Pakistanis are drawing up their options and have intensified talks with resistance leaders about a post-settlement government.

25X1

25X1

INR injected a cautionary note, suggesting that Zia's recent warning to the Peshawar Seven that the next session of the Geneva talks will be the last may be the words of UN negotiator Cordovez, who does not want to convene another round until all the problems have been settled. His comments about the resistance having to learn to live with Communists probably refers to PDPA participation in an interim government.

There is a general consensus that the upturn in Soviet pressure serves both military and diplomatic purposes for Moscow. SOVA pointed out that Moscow has acknowledged the attacks for the first time [REDACTED]

25X1

[REDACTED] Deputy Foreign Minister Vorontsov recently hinted that it was Moscow's right to "go to the source," comparing the current situation in Afghanistan to the US bombing of Vietnam. In this context, SOVA suggested that the sharp upturn in attacks during March was Moscow's reaction to the failure of Najib's national reconciliation package and the realization that the Pakistanis were not going to deliver at Geneva. At the same time, the [REDACTED]

25X1

3
SECRET, [REDACTED]

25X1

SECRET [REDACTED]

25X1

There is some disagreement about the target of recent attacks. CIA believes the Soviet-Afghan side has been going after civilian targets such as bazaars in a deliberate attempt to raise popular concern; INR points out that the insurgents congregate in bazaars and thus they are also logical military targets. In either case, a continuation of the new tactics would cause a dramatic increase in civilian casualties.

Warning [REDACTED]

25X1

Recent Soviet actions suggest Moscow is willing to take greater risks, but the Community is unsure just how far the Soviets are willing to push. Too much overt military pressure could be counterproductive. Consequently, the Pakistanis could well be in for an increase in Soviet subversive pressure. The relative absence of sabotage in areas where would be most effective--particularly the Punjab--could reflect a problem with Soviet-Afghan capabilities rather than a decision not to expand such activities beyond the border area.

25X1

4
SECRET [REDACTED]

25X1

SECRET

The following components attended the NIO/NESA March Warning Meeting:

External

USMC INTP
NAVY ONI
NSA/G6
NSA/G92
AFIA/INAP
STATE/INR/NESA
DIA
DIA/OA-3
DIA/DE-4
DIA/JSI-5A
DIA/DB5E3
DIA/DB-8C4

Internal

FBIS/AG
FBIS/NEAD
PPD/LDA
NPIC/IEG
NPIC/IEG/NESAD
NIC/AG
NESA/SO/P
SOVA/TWAD/A
A/NIO/USSR

SECRET